

OCT 14 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(12) of the Internal Revenue Code.

The evidence presented discloses that you were incorporated as a homeowners association under the [REDACTED] Nonprofit Corporation Act on [REDACTED].

Your purposes, briefly stated, are:

"To provide for the social welfare and recreation of its members and guests, maintain, preserve and control architecture of the Lots and Common Green Area within [REDACTED]..."

"To provide an entity for ownership, management, control, operation, maintenance, repair, improvement, replacement and preservation of the real property..."

"To promote the health, safety and welfare of the residents of [REDACTED], and to arrange for or provide all services necessary or desirable in connection therewith."

You state that the Association operates, maintains and improves the domestic water system, controls use of Common Area, and irrigation water rights. The Association controls maintenance of roads in [REDACTED]. It preserves and controls architecture of lots and Common Area in [REDACTED].

Section 501(c)(12) of the Internal Revenue Code provides for recognition of exemption from Federal income tax of mutual ditch or irrigation companies, mutual or cooperative telephone companies or like organizations. In order to qualify for exemption under section 501(c)(12), an organization must be operated on a truly mutual and cooperative basis. Generally this means there must be democratic ownership and control of the organization by its members who must have an equitable interest in the organization's assets and savings determined on the basis of their

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname		[REDACTED]					
Date		10-14-83					

business done with the organization. Upon dissolution assets should be distributed to members and former members in proportion to the amount of business done by such members during that period.

Your Articles of Incorporation provide that upon dissolution assets will be dedicated to an appropriate public agency.

Furthermore, neither the Articles of Incorporation nor the bylaws provide for the members to share in the corporation's annual net earnings in proportion to the amount of business done by them with the corporation.

Revenue Ruling 65-201, 1965-2 Cumulative Bulletin 170, describes the denial of exemption to a non profit organization which sold electrical equipment to its members and performed incidental installation and repair services in connection with these sales because it was not a "like organization" within the meaning of section 501(c)(12) and therefore did not qualify for exemption under that section of the Code.

On the basis of the information submitted, we conclude that you are not exempt from Federal income tax under Code section 501(c)(12). Therefore, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

District Director

Enclosure
FBI
DOH